

Fairfax County Economic Index

Volume VII, Number 4

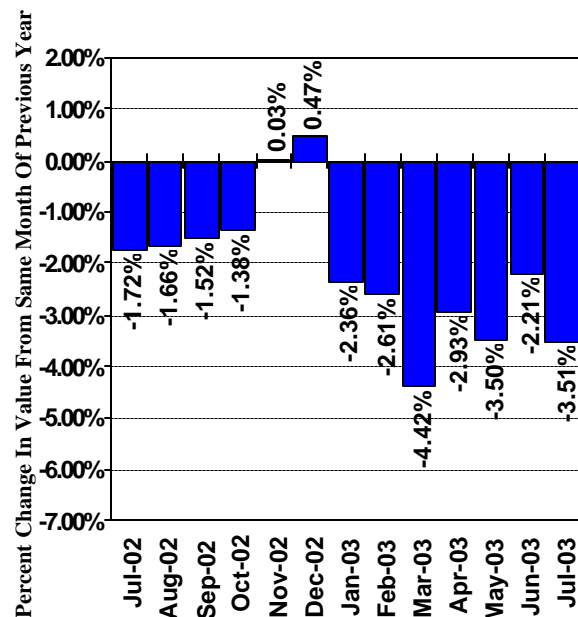
September 2003

The County's Economy Slowed in July But Outlook Remains Strong

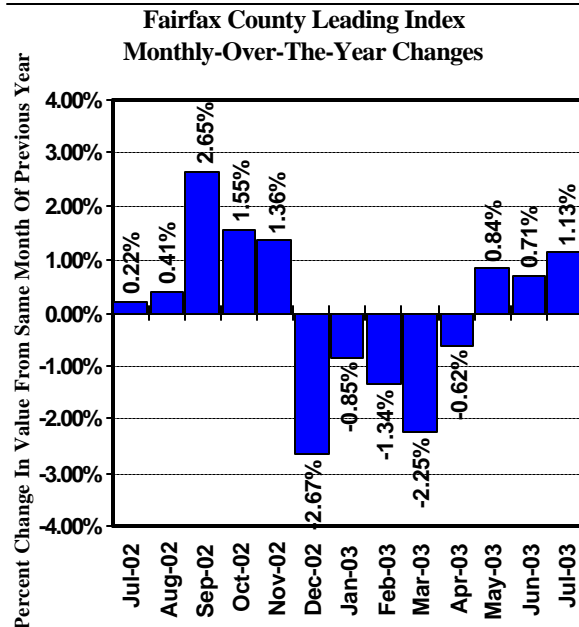
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased in July to 121.7, for a decline of 1.53 percent. July's decline in the Index followed an increase in June. For the last five months, the Index has been up three times and down two. Still, for the year, the Coincident Index is down 3.5 percent and its trend line continues to drift lower. In July, two of the Index's four components were negative.

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined sharply for a second consecutive month; and,
- Consumer confidence (in the present) fell for the second time in three months; while,
- Total employment increased for the sixth consecutive month; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, grew for the second month in a row.

**Fairfax County Coincident Index
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University



Source: Center for Regional Analysis, George Mason University

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, grew in July to 104.69 for a gain of 0.33 percent and its fourth consecutive monthly increase. July's gain was also the third consecutive month for which the Index's 2003 value exceeded its same-month value in 2002. As a result, the Index's trend line has turned up and is again pointing to accelerating growth in the County's economy. In July, three of the Index's five components contributed to its gain.

- New automobile registrations increased for a second month in a row;
- Initial claims for unemployment insurance decreased (improved) for the third consecutive month; and,
- Residential building permits registered a strong gain following a small decline in June; while,
- Consumer expectations (consumer confidence six months hence) declined for a second month; and,
- The total value of residential building permits fell slightly following a larger decline in June.

The Fairfax County economy has been slowly gaining strength over the year but its performance in July revealed some renewed weakness in consumer confidence and the hospitality industry. In contrast, the Leading Index was up for a fourth month and is clearly pointing to stronger future growth.

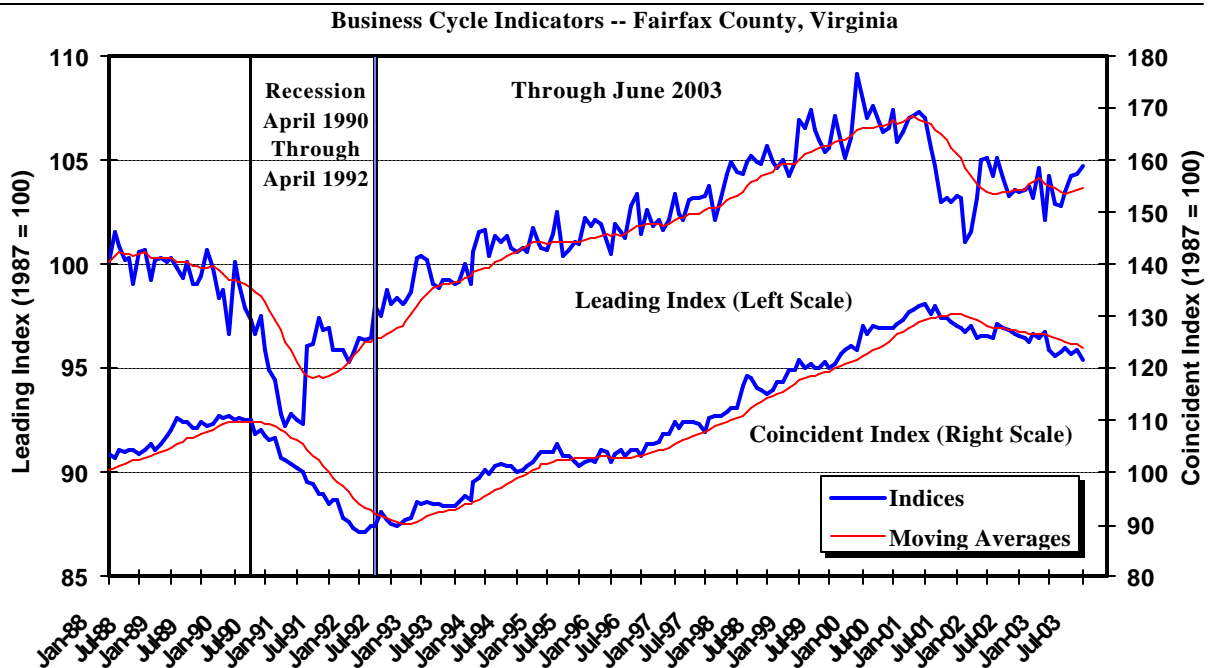
CURRENT CONDITIONS

The underlying strength of Fairfax County's economy remains its ability to generate new jobs. The county's employment base has increased in each of the last six months and for ten of the previous twelve months. Monthly over-the-year job growth in July totaled 10,918 for a gain of 1.9 percent. Because of this job growth, initial claims for unemployment insurance have declined for three consecutive months and in five of the last seven months. For the year, initial claims are down 30.7 percent.

This decrease in lay offs points to the stabilization of the local business base and explains the low and decreasing rate of unemployment in Fairfax County. Seasonally adjusted unemployment was down to 2.06 percent in July; a year ago this rate was 2.65 percent. The County's rate compares very favorably to the metropolitan area's rate of 3.5 percent and the national rate of 6.2 percent.

Paralleling the growth of the County's employment base is its recent growth in consumer spending. Even though consumer confidence has dropped over the year, July 2003 retail spending is up 3.3 percent from July 2002 and up 7.6 percent from June. July's gain in County sales exceeded both the metropolitan and national increase.

Other measures of the economy's current condition reveal some weaknesses. Declining transient occupancy tax revenues, which were down sharply from June and are also negative for the year, highlight the consequences of decreased business travel and lagging leisure travel due to economic and other issues. Still, air passenger travel at Reagan National and Dulles Airport have increased in each of the last three months pointing to an emerging recovery in the travel industry that should be reflected in increased hotel occupancy by the fall. Residential building permits, while



Source: Center for Regional Analysis, George Mason University

higher in July, continue to lag behind last year's levels (-21.8%) and with this lower volume of permits it is no surprise that their total value has declined, too, dropping 10.3 percent from July 2002.

NEAR-TERM OUTLOOK

The Leading Index has provided an unequivocal up-turn signal by its strong performance since March. With the County's job base continuing to expand and labor market conditions improving each month in combinations with increasing consumer spending, the future of Fairfax County's economy is strong. As the national and Washington area economies accelerate over the year's second half, growth pressures will be reflected in more broadly distributed improvements within the Fairfax County economy. Job growth will accelerate and consumer spending should also strengthen. The housing market will remain strong and the strength of other indicators of the economy's health will become more visible. The weaknesses evident in July—hotel occupancy, residential building permits, and consumer confidence—should all become positive as the expansion gains momentum.

This momentum should be easily seen in the economy's September performance and in subsequent months into next year. The 2003 growth rate forecast for Fairfax County is 4.8 percent. This compares with a 3.5 percent growth rate for the Washington metropolitan area in 2003 and a 2.4 percent nationally. As the County economy gains traction and its weaknesses diminish, the full impact of national fiscal and monetary policy will combine with increased business investment and consumer spending to drive the economy faster in 2004—a 6.2 percent growth rate is projected for Fairfax County while the growth rates for the metropolitan area and the nation could top 4.0 percent.

While the early signs of the impending expansion are now evident, how the expansion plays out over the remainder of this year is not guaranteed. With no clear end in sight to the War in Iraq, continuing threats of terrorism, and high energy costs plaguing the economy, consumers remain on edge as measured by their low levels of confidence. This continuing consumer anxiety could become a problem for the economy if it translates into lower levels of consumption outlays. The expansion should prevail but its path may be bumpy as it was in July.

Fairfax County, Virginia Economic Indicators Current and Previous Months

| Economic Indicator | Estimates | | | Percent Change | |
|---|-------------------|-----------------|-----------------|------------------------|------------------------|
| | Jul-03 Prelim. | Jun-03 Final | Jul-02 Final | Jun-03 to Jul-03 | Jul-02 to Jul-03 |
| Fairfax County Business Cycle Indicators | | | | | |
| Coincident Index (1987 = 100) | 121.70 | 123.59 | 126.13 | -1.53 | -3.51 |
| Leading Index (1987 = 100) | 104.69 | 104.35 | 103.52 | 0.33 | 1.13 |
| Fairfax County Coincident Index Components | | | | | |
| Total Covered Employment (Seasonally Adjusted) | 586,039 | 583,269 | 575,121 | 0.47 | 1.90 |
| <i>Total Covered Employment (Unadjusted)</i> | <i>589,333</i> | <i>590,181</i> | <i>578,353</i> | <i>-0.14</i> | <i>1.90</i> |
| Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted) | 262 | 294 | 270 | -10.95 | -2.82 |
| <i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i> | <i>515</i> | <i>539</i> | <i>511</i> | <i>-4.50</i> | <i>0.87</i> |
| Sales Tax Receipts (\$'000='87, Seasonally Adjusted) | 8,689 | 8,078 | 8,415 | 7.57 | 3.26 |
| <i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i> | <i>11,021</i> | <i>11,185</i> | <i>10,631</i> | <i>-1.47</i> | <i>3.67</i> |
| South Atlantic Consumer Confidence | 80.4 | 97.8 | 122.7 | -17.79 | -34.47 |
| Fairfax County Leading Index Components | | | | | |
| New Automobile Registrations (Seasonally Adjusted) | 7,343 | 5,715 | 6,133 | 28.49 | 19.73 |
| <i>Automobile Registrations (Unadjusted)</i> | <i>8,349</i> | <i>4,840</i> | <i>6,973</i> | <i>72.50</i> | <i>19.73</i> |
| Initial Unemployment Claims (Seasonally Adjusted) | 1,531 | 1,579 | 2,210 | -3.04 | -30.71 |
| <i>Initial Unemployment Claims (Unadjusted)</i> | <i>1,532</i> | <i>1,499</i> | <i>2,211</i> | <i>2.20</i> | <i>-30.71</i> |
| <i>South Atlantic Consumer Expectations (Unadjusted)</i> | <i>90.0</i> | <i>101.9</i> | <i>103.0</i> | <i>-11.68</i> | <i>-12.62</i> |
| Residential Building Permits (Number of Units, Seasonally Adjusted) | 371 | 302 | 475 | 22.90 | -21.84 |
| <i>Residential Building Permits (Number of Units, Unadjusted)</i> | <i>390</i> | <i>342</i> | <i>499</i> | <i>14.04</i> | <i>-21.84</i> |
| Residential Building Permit Value (\$'000='87, Seasonally Adjusted) | 23,864 | 24,012 | 26,608 | -0.62 | -10.31 |
| <i>Residential Building Permit Value (\$=Current, Unadjusted)</i> | <i>43,430</i> | <i>50,087</i> | <i>46,654</i> | <i>-13.29</i> | <i>-6.91</i> |
| Fairfax County Labor Force | | | | | |
| Total Labor Force (Seasonally Adjusted) | 574,161 | 574,513 | 565,015 | -0.06 | 1.62 |
| <i>Total Labor Force (Unadjusted, Revised By BLS)</i> | <i>589,678</i> | <i>583,384</i> | <i>580,285</i> | <i>1.08</i> | <i>1.62</i> |
| Unemployment Rate (Percent, Seasonally Adjusted) | 2.06 | 2.36 | 2.65 | -- | -- |
| <i>Unemployment Rate (Percent, Unadjusted, Revised By BLS)</i> | <i>2.41</i> | <i>2.71</i> | <i>3.00</i> | <i>--</i> | <i>--</i> |

Notes: Where available, seasonally adjusted estimates are used in the indices. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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